

Representative Benjamin Cardin
Statement before the Budget Committee
Hearing on the Challenges Facing Working Families in America

August 1, 2001

Mr. Chairman, let me start by thanking you and Mr. Spratt for giving me this opportunity to come before your committee to talk about our Nation's response to helping working families escape poverty.

Eight years of unprecedented economic growth, increases in the Earned Income Tax Credit, and welfare reform have all contributed to the recent decline in the poverty rate. However, we cannot let this improvement lead us to complacency, particularly when one out of every six children in the U.S. continues to grow up in poverty. Furthermore, we must recognize that the gains provided by a long economic expansion might quickly erode should the economy continue to slow down.

Therefore, I was disappointed that President Bush's budget request for the Administration for Children and Families failed to keep pace with inflation and failed to match the President's overall spending update for government programs. We can and must do better.

If President Bush is serious about helping faith-based organizations serve needy families, he should propose restoring the deep cuts in the Social Services Block Grant, which has a long history of collaborating with religious charities. If the President wants to help non-custodial fathers play a bigger role in the lives of their children, he should advocate sending those parents' child support payments to their children, rather than to the government. And if President Bush wants to maintain the momentum of welfare reform, he should recommend extending the so-called supplemental grants under the TANF program, without which 17 States will see a cut of up to 10% in their welfare funding. Regrettably, the President's budget is silent on these issues, despite bipartisan support for addressing all of them.

I should point out that the President's budget did include some welcome and very useful child welfare proposals. Most prominently, the Administration's budget proposed a \$200 million annual increase for the Promoting Safe and Stable Families Program, which provides resources to prevent child abuse, to strengthen

fragile families, and to promote adoption when appropriate. However, there appears to be some confusion as to whether the recent tax bill used up the funding set aside in the Budget Resolution to increase resources for this important child welfare program. I hope the Budget Committee can clarify this situation quickly so that we can move forward to address areas covered in the Budget Resolution, including the Safe and Stable Families program and the TANF supplemental grants.

As this Committee considers future funding levels to help working families and to address poverty, it might be useful to survey unmet needs in some key areas. Because my time is short, I will focus on child care, child support, unemployment insurance, and the Temporary Assistance for Needy Families Program or TANF.

The current funding level for the Child Care and Development Block Grant (CCDBG) is insufficient to provide quality day care assistance to the millions of families attempting to escape or stay off welfare. In fact, about half of the States have established thresholds for a family's eligibility for child care assistance at less than 60% of the State median income – leaving many low-income families without access to child care subsidies, while still having too little income to benefit from the Dependent Care Tax Credit. To realize the financial burden on these families, you only have to remember that child care costs between \$4000 to \$10,000 a year – roughly the same as tuition at a public university. To ensure that working families can find accessible and affordable child care, Congress should increase funding for the CCDBG.

Like quality day care, consistent child support payments can help families move toward self-sufficiency. Unfortunately, current law actually penalizes States that send child support collections to families struggling to leave welfare, and in some cases, to families that have already left public assistance. For example, if a State sends a child support collection to family on welfare, it still owes the Federal government between half and three-quarters of that same child support payment (based on the State's Medicaid match rate). This has discouraged States from passing through child support -- and encouraged them to adopt an effective 100% tax rate on child support payments to certain families. Last year, the House overwhelmingly passed bipartisan legislation to end this disincentive for States to send child support to families, but the Senate failed to act on the measure. The House should again pass this legislation, particularly now that several compatible bills have been introduced in the Senate.

Another hole in our Nation's safety net exists in the Unemployment Insurance system. In January, the Government Accounting Office reported that the unemployment compensation system provides "only limited protection for low-wage workers." In fact, the GAO found that while low-wage workers were twice as likely to become unemployed, they were only half as likely to receive UI benefits compared to higher-wage workers (even when employed for similar periods of time). The fact is that UI coverage rates are not very impressive for any group: only 18% of unemployed low-wage workers were receiving UI benefits compared to 40% of higher-wage workers.

As our Nation's unemployment level continues to creep up, Congress should consider the non-partisan recommendations issued last fall by the major stakeholders in the UI system to correct some of the program's shortcomings. This plan suggests, among other things, eliminating certain barriers to UI benefits, such as precluding part-time workers from receiving assistance unless they seek full-time work, and ignoring the most recent wage data when determining eligibility.

Let me conclude with an issue Congress will consider next year – the reauthorization of TANF. There can be no doubt that welfare reform has been an important factor in helping many low-income mothers join the workforce and begin to replace a welfare check with a paycheck. But the job of welfare reform is far from done. Those left on the rolls are more likely to have multiple barriers to employment, such as low educational levels, limited work histories, substance abuse problems, domestic violence issues and disabilities. These problems will demand intensive services to allow recipients to enter employment.

Just as importantly, many of those leaving welfare for work have yet to leave poverty for a better life. These individuals need help with both employment retention and wage progression. In addition, we need to do a much better job of ensuring that working welfare leavers receive other benefits for which they remain eligible, especially Medicaid and food stamps.

Finally, I want to correct a misconception that there has been an enormous decline in the TANF caseload. It is accurate to say that the number of people receiving cash assistance from TANF has declined by half over the last six years. However, it is also true that the number of people receiving TANF-funded work supports, such as child care and training, has grown substantially over the same period of time. Any discussion about TANF's future funding must account for

this total TANF caseload, not just those receiving cash benefits. This comprehensive caseload number explains why States spent 93% of their annual Federal TANF grants last year, even as the number of cash recipients continued to decline. In fact, a dozen States actually spent more than their annual TANF allocation in 2000, meaning they dipped into funds reserved from past years.

For all of these reasons, Congress should continue to fully fund TANF -- by which I mean, the current allocation plus an adjustment for inflation. Such a commitment will allow States to take the second step in welfare reform -- turning initial employment gains into permanent poverty reductions. Thank you.